

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-109-E - ORDER NO. 92-199 ✓
MARCH 23, 1992

IN RE:	Application of Carolina Power &)	ORDER GRANTING
	Light Company for Authority to)	AUTHORITY TO AMEND
	Amend Pollution Control Financing.)	POLLUTION CONTROL
)	FINANCING

This matter comes before the Public Service Commission of South Carolina (the Commission) upon an Application of Carolina Power & Light Company (the Company) filed on February 22, 1992, requesting authority to amend certain pollution control financing.

FINDINGS OF FACT

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The name and post office address of its attorney are Adrian N. Wilson, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the state of North Carolina, with its principal office at 411 Fayetteville Street, Raleigh, North Carolina, where it is engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at December 31, 1991 consisted of Common Stock with a stated value of \$1,622,277,000 and Preferred Stock having a stated value of \$275,818,000. As of December 31, 1991, the retained earnings of the Company were \$1,034,160,000.

The Company's existing long-term debt at December 31, 1991, amounted to principal amounts of \$2,496,195,000 in First Mortgage Bonds and \$474,417,000 in other long-term debt. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W. T. Cunningham, who presently is acting as Individual Trustee, as supplemented by fifty-three Supplemental Indentures.

3. The Company presently projects that its capital requirements will total approximately \$634 million in 1992 and \$615 million in 1993.

4. On May 15, 1985 in Docket No. 84-277-E, the Commission authorized the Company to enter into a Loan Agreement with The Wake County Industrial Facilities and Pollution Control Financing Authority (the "Authority") with respect to the proposed issuance of \$67,300,000 of pollution control revenue bonds. The resulting financing took place on May 21, 1985, with the Authority issuing \$67,300,000 in pollution control revenue bonds with a variable rate of interest (the "Series 1985A Bonds").

5. On July 18, 1985 in Docket No. 85-296-E, the Commission authorized the Company to enter into Loan Agreements with the Authority with respect to the proposed issuance of up to \$175,000,000 principal amount of pollution control revenue bonds. Two resulting financings took place, one on September 5, 1985, with the Authority issuing \$50,000,000 in pollution control revenue bonds with a variable rate of interest (the "Series 1985B Bonds"), and the second on October 10, 1985, with the Authority issuing \$97,400,000 in pollution control revenue bonds with a variable rate of interest (the "Series 1985C Bonds").

6. The Loan Agreement with respect to each of the Series 1985A, 1985B and 1985C Bonds contains a feature commonly referred to as a "drop-lock" provision which may in effect convert the variable rate bonds to bonds with a fixed rate of interest until maturity. Specifically, these Loan Agreements provide that on March 15 of each year an index rate of interest is determined. In the event this rate is lower than a benchmark rate set forth in the respective Indentures of Trust, the interest rate borne by the bonds drop-locks and is fixed for the remaining life of the bonds.

With respect to each of the Series 1985A, 1985B and 1985C Bonds, it is apparent that the index rate of interest will be lower than the benchmark rate set forth in the respective Indentures of Trust. Thus, absent Company action, the drop-lock mechanism will operate to fix the interest rates on these bonds until maturity. Because this fixed rate of interest will be significantly greater than current market variable rates, the Company (absent Commission

approval of the authority requested herein) would then need to redeem the bonds and reissue them to the public at a variable rate of interest in order to continue to benefit from the current low level of short-term variable rates.

7. Pursuant to the provisions of its Charter and for purposes hereinafter stated, the Company proposes to enter into a First Supplemental Loan Agreement for each of the Series 1985A, 1985B and 1985C Bonds, with such agreement to be substantially in the form attached to the Company's Application as Exhibit A. Under the terms of the First Supplemental Loan Agreements, the drop-lock mechanism would be deleted from the Loan Agreements thereby enabling the Series 1985A, 1985B and 1985C Bonds to maintain their variable rate feature. Not only would this action result in the maintenance of an attractive variable rate portion of the Company's portfolio, it would also avoid the expense of redemption and reissuance of the bonds. These avoided expenses, which would include underwriters' fees and commissions, trustee's fees, attorneys' fees for the Company, underwriters, trustee and bondholders, and printing costs, among others, are presently estimated to be at least \$830,000.

8. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

9. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

CONCLUSIONS OF LAW

Based on the above findings, the Commission concludes that the transactions proposed in the Company's Application:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and
- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED:

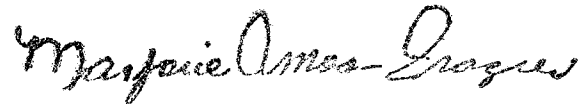
1. That Carolina Power & Light Company be and it is hereby authorized, empowered and permitted under the terms and conditions set forth in the Application to (i) effectuate the transactions described in the Application and (ii) execute and carry out such instruments, documents and agreements, including the First Supplemental Loan Agreements, as shall be necessary or appropriate in order to effectuate such transactions.

IT IS FURTHER ORDERED THAT:

1. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

2. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)